

## Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-07 COME-00 CIAE-00 INR-07

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R 252345Z APR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 024

UNCLAS SECTION 1 OF 2 SAN JOSE 1684

PASS AID HOUSING GUARANTEE OFFICE

E.O. 11652: N/A

TAGS: EINV, CS

SUBJECT: OPIC HOUSING GUARANTEE PROJECT

REF: SAN JOSE 224, 192, SAN JOSE 4870 OF 12/24/75

### SUMMARY

THIS MESSAGE DISCUSSES AVAILABLE DATA CONCERNING THE CATEGORIES OF PERSONS IN COSTA RICA WHO WOULD BE ABLE TO AFFORD THE PROPOSED \$30,000 HOUSES UNDER THE ROBLEDAL PROJECT WHICH HAS BEEN PROPOSED HERE FOR OPIC INSURANCE. AVAILABLE DATA SHOW THAT ONLY 3 PERCENT OF THE WAGE AND SALARY EARNERS IN COSTA RICA COULD AFFORD THIS HOUSING. GIVEN THESE DATA THE EMBASSY DOUBTS THAT THE PROJECT IS DEVELOPMENTAL WITHIN THE MEANING OF OPIC'S AUTHORIZING LEGISLATION.

END SUMMARY.

1. MORTON B. TURBOW, OWNER OF THE PUERTO RICO FINANCIAL CORPORATION, IN A RECENT VISIT TO DISCUSS HIS PROPOSED ROBLEDAL HOUSING PROJECT, ASKED THE EMBASSY TO INFORM THE DEPARTMENT AND OPIC THAT THE \$30,000 HOUSING HE PLANS TO BUILD IN COSTA RICA WOULD BE MIDDLE INCOME RATHER THAN UPPER INCOME HOUSING. HE SAID THAT THE ASSERTION THAT IT WOULD BE UPPER INCOME HOUSING WAS REDUCING THE LIKELIHOOD OF GETTING APPROVAL FROM OPIC.

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HE STRESSED THAT THE HOUSES HE PLANS TO BUILD ARE THE LEAST COSTLY THAT HE CONSIDERS IT FEASIBLE TO BUILD ON A COMMERCIAL BASIS. REFERRING TO A COMMENT FROM AN OPIC OFFICER TO THE EFFECT THAT IF THIS PROJECT WERE APPROVED, FUTURE PROJECTS WOULD HAVE TO PROVIDE LOWER COST HOUSING, TURBOW STATED THAT HE WANTED TO CLEAR UP THIS MISUNDERSTANDING BECAUSE FUTURE PROJECTS WOULD BE AT LEAST AS COSTLY OR PERHAPS MORE SO IN VIEW OF RISING COSTS.

2. RATHER THAN TRADE IN ADJECTIVES (UPPER INCOME, MIDDLE INCOME, UPPER MIDDLE, ETC.), EMBOFF OFFERED TO SEND THE DEPARTMENT THE BEST STATISTICS HE COULD FIND TO INDICATE THE PERCENTAGE OF THE POPULATION AND THE CATEGORIES OF WORKERS THAT WOULD BE ABLE TO AFFORD THE ROBLEDAL HOUSES. SUCH INFORMATION WOULD ENABLE THE DEPARTMENT AND OPIC TO FORM THEIR OWN OPINIONS AS TO THE APPROPRIATE ADJECTIVES TO APPLY TO THE ROBLEDAL HOUSING. THIS MESSAGE

ATTEMPTS TO PROVIDE THAT INFORMATION.

3. THE PAYMENTS ON THE ROBLEDAL HOUSES WOULD BE 1500 COLONES PER MONTH MINIMUM ACCORDING TO TURBOW. IF ONE ASSUMES A PAYMENT OF 25 PERCENT OF AFTER-TAX INCOME AS A PAYMENT FOR SHELTER, THE REQUIRED INCOME WOULD BE 7500 COLONES GROSS, AND 6000 COLONES AFTER TAX. IF ONE USES THE OTHER U.S. RULE OF THUMB THAT A BUYER SHOULD PAY NO MORE THAN TWO AND ONE-HALF OR THREE TIMES HIS ANNUAL INCOME FOR A HOUSE, A \$30,000 ROBLEDAL HOUSE WOULD REQUIRE AN INCOME OF \$10,000 TO \$12,000 PER YEAR. THIS WOULD AMOUNT TO 7,116 TO 8,540 COLONES PER MONTH. LOOKING AT BOTH OF THESE RULES OF THUMB, 7,500 COLONES (\$878) PER MONTH LOOKS LIKE A GOOD ESTIMATE OF THE REQUIRED INCOME TO BUY A ROBLEDAL HOUSE.

4. IN COSTA RICA, ACCORDING TO THE LATEST CENSUS (1973), ONLY 10,701 RECIPIENTS OF WAGES AND SALARIES, OUT OF A TOTAL OF 410,076, RECEIVE A SALARY OF MORE THAN 2,800 COLONES (\$328) PER MONTH. THIS AMOUNTS TO ONLY 3 PERCENT OF ALL WAGE AND SALARY EARNERS. THE FIGURE RISES SOME-  
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WHAT IF ONE LOOKS ONLY AT THE SAN JOSE AREA, WHERE FIVE PERCENT OF WAGE AND SALARY EARNERS RECEIVE AT LEAST 2,800 COLONES. IT IS CERTAIN THAT IF FIGURES WERE AVAILABLE AS TO HOW MANY EARN THE 7,500 THAT WOULD BE REQUIRED TO QUALIFY FOR A ROBLEDAL HOUSE THE PERCENTAGE WOULD BE EVEN SMALLER. SINCE THE CENSUS ENUMERATION (MAY, 1973) THE GOVERNMENT HAS ORDERED TWO INCREASES IN WAGES WHICH AT THE LEVEL OF PAY WE ARE DISCUSSING AMOUNTED TO

10 PERCENT AND 9.5 PERCENT. THESE INCREASES WOULD NOT AFFECT THE VALIDITY OF THE ABOVE DATA, WHICH SUGGEST THAT LESS THAN 3 PERCENT OF COSTA RICA'S WAGE AND SALARY EARNERS COULD AFFORD TO BUY ROBLEDAL HOUSING.

5. IN COSTA RICA, THE GOVERNMENT DECREES MINIMUM WAGE AND SALARY RATES FOR VARIOUS OCCUPATIONS. THE LATEST RATES FROM THE OFFICIAL GAZETTE OF DECEMBER 5, 1974 SHOW: THAT SUCH OCCUPATIONS AS BAKERS, TAILORS, AND TRAVELLING SALESMEN EARN 9,400 - 13,000 COLONES PER YEAR, ONLY 10 TO 15 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE; THAT LINOTYPE OPERATORS, PROOFREADERS OF NEWSPAPERS, AND CRANE, DRAGLINE, AND HEAVY TRACTOR OPERATORS EARN 14,600 - 17,500 COLONES PER YEAR, 16 TO 19 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE; THAT RADIO TECHNICIANS AND TV CAMERA OPERATORS EARN 20,700 COLONES PER YEAR, OR 23 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE; THAT MEDICAL RESIDENTS EARN 25,439, OR 28 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE AND THAT PIANISTS EARN 37,300 COLONES, OR 41 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE.

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ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-07 COME-00 CIAE-00 INR-07

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R 252345Z APR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 025

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PASS AID HOUSING GUARANTEE OFFICE

OF COURSE, THE ABOVE ARE MINIMUM WAGE RATES AND MANY PERSONS IN SUCH OCCUPATIONS WOULD EARN MORE, BUT ACTUAL AVERAGE EARNINGS WOULD BEAR SOME REASONABLE RELATIONSHIP TO THE MINIMUM IN ORDER TO REFLECT EXPERIENCE AND SENIORITY. COMPREHENSIVE DATA ON

ACTUAL AVERAGE SALARIES FOR VARIOUS OCCUPATIONS ARE NOT COLLECTED, BUT THE EMBASSY DOES HAVE DATA ON A LIMITED NUMBER OF OCCUPATIONS WHICH IT COLLECTS FOR THE PURPOSE OF ALIGNING ITS PAY SCALES FOR LOCAL EMPLOYEES WITH THOSE PREVAILING IN THE COMMUNITY. THESE DATA SHOW THAT EXPERIENCED JOURNALISTS AVERAGE 69,000 COLONES PER YEAR, 77 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE, AND THAT EXPERIENCED ACCOUNTANTS AVERAGE 56,328 COLONES PER YEAR, 63 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE. JOURNALISTS AND ACCOUNTANTS ARE AT THE TOP OF THE EMBASSY PAY SCALE AND EVEN THE HIGHEST PAID SENIOR EMPLOYEE IN EACH CATEGORY DOES NOT MAKE ENOUGH TO QUALIFY FOR A ROBLEDAL HOUSE.

6. ANOTHER INDICATOR OF SALARY LEVELS IS AN ANNOUNCEMENT MADE LAST WEEK OF A 10 PERCENT SALARY INCREASE FOR PROFESSORS AT THE UNIVERSITY OF COSTA RICA. THE ANNOUNCEMENT INDICATES THAT INSTRUCTORS WILL NOW RECEIVE 2,904 COLONES (\$340) PER MONTH AND FULL PROFESSORS WILL RECEIVE UP TO 60 PERCENT MORE, WHICH WOULD BE UNCLASSIFIED

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4,646 COLONES (\$544) PER MONTH. THUS, EVEN A FULL PROFESSOR WOULD ONLY EARN 62 PERCENT OF THE AMOUNT NEEDED TO QUALIFY FOR A ROBLEDAL HOUSE.

COMMENT. ESSENTIALLY THESE DATA INDICATE THAT ONLY 3 PERCENT OF WAGE AND SALARY EARNERS IN COSTA RICA WOULD BE ABLE TO PURCHASE ROBLEDAL HOUSES. THESE WOULD BE PROFESSIONAL AND MANAGERIAL LEVEL. OTHERS WHO COULD QUALIFY WOULD INCLUDE: DOCTORS, LAWYERS, PROPRIETORS OF MEDIUM SIZE OR LARGE BUSINESSES, AND RETIRED AMERICANS IF PERMITTED TO BUY. IT IS OF COURSE POSSIBLE AND LIKELY THAT SOME MORE MODEST FAMILIES WITH TWO OR MORE SALARY EARNERS WOULD BUY. THE EMBASSY DOUBTS THAT IN THESE TERMS THE PROJECT QUALIFIES AS BEING "DEVELOPMENTAL" WITHIN THE MEANING OF OPIC LEGISLATION.  
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